

WASHINGTON, DC – Today, Rep. Pete Stark (D-CA) introduced the “Secondary Mortgage Market Fair Competition Act.” The bill would amend Fannie Mae and Freddie Mac’s tax-exempt status to allow states to tax these corporations’ pre-tax earnings as they do private mortgage companies.

“Fannie Mae and Freddie Mac are much different today than when they were first chartered over thirty years ago,” said Rep. Stark. “They are thriving, successful private corporations that earned \$10 billion in combined profits in 2001 and made Fortune magazine’s list of most profitable companies. It is clear that Fannie Mae and Freddie Mac are strong and profitable enough to provide a steady stream of home loans without the state tax-exempt privilege that was once needed to draw investors,” Stark said.

When Congress chartered Fannie Mae and Freddie Mac there was a need to provide a steady stream of revenue for home mortgage loans in order to increase homeownership in the U.S. Congress provided certain privileges to Fannie and Freddie in their charter that would allow that stream of revenue to continue to grow. Fannie Mae and Freddie Mac corporations are now the leaders of the secondary mortgage market and have established a strong revenue source for the primary mortgage market. While they pay federal taxes, these corporations do not pay state or local corporate income taxes. Yet, they are still subsidized, receiving over one billion in federal tax dollars a year according to the Congressional Budget Office.

“States are scrambling to find solutions to their fiscal crises with not an ounce of help from President Bush or the Republican Congress,” Stark said. “Lifting Fannie Mae and Freddie Mac’s exemption from state and local taxes would provide a much-needed revenue source. In no way would states be required to tax these corporations. They would simply be given that choice as a means to avoid cuts in basic services people rely on at a time when Fannie and Freddie are amassing billions in profits each year.”

“The fact that Fannie Mae and Freddie Mac are doing so well is a clear indicator that they serve the home loan mortgage industry well,” Stark concluded. “But these successes should not lead Congress to shelter Fannie and Freddie from the rigors of the marketplace indefinitely or prevent states from sharing in the benefits.”